



**Testimony of**

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Chairman Upton, Ranking Member Markey, Members of the Subcommittee. Good morning. My name is Tim Krause, and I am the Chief Marketing Officer and Senior Vice President for Government Relations of Alcatel North America.

Thank you for the opportunity to appear before you today regarding the Broadband Internet Transmission Services Act. Alcatel endorses this legislation, and requests the Committee move it forward in the legislative process without delay. Alcatel is also a member of the Telecommunications Industry Association, and Alcatel believes the bill is consistent with TIA's convergence and broadband deployment policies.

The BITS Act will ensure the continued growth of the U.S. broadband market by creating legal and regulatory certainty for the services that flow over powerful new broadband networks. The result will be the continued introduction of Internet-based substitutes for traditional communications services by facilities-based and Internet-based providers alike, including converged triple-play offerings of voice, video, and data across traditionally distinct communications platforms.

Alcatel is a global company with operations in 130 countries, 2004 revenues of 12.3 billion Euros; and worldwide employees totaling 56,000. Alcatel has made over \$17 billion in technology investments in North America. We have 8,800 employees in North America, and dedicate more than 20% of our North American revenue to research and development that we conduct in North America – a higher percentage than we reinvest worldwide. Our global R&D centers for IP routing and enterprise applications are based in California, and our global R&D center for fiber to the home technologies is based in North Carolina. Alcatel's customers include traditional phone companies, mobile carriers, private and public enterprises, transportation networks, and satellite operators.

The North American market is vital to Alcatel and the entire technology industry, because it is here that consumers are the most demanding, and as a result, this market leads the world in innovation. The legal and regulatory clarity that the BITS Act will provide will strengthen those qualities in the North American market, and better enable the manufacturing industry to compete in the face of the commoditization of products from low cost countries, and export new broadband innovations developed here at home abroad.

Alcatel is the worldwide and North American leader in broadband access technologies, with over 70 million digital subscriber lines shipped to service providers. Alcatel has also been selected by SBC as its primary network infrastructure and services supplier for Project Lightspeed, which will deliver integrated IP Television and other ultra-high-speed broadband services to 18 million households by mid 2008. Alcatel will enable SBC to provide this suite of services by building fiber deeper into the SBC network – using shorter copper subloops in existing neighborhoods and building fiber all the way to the premises in new housing developments. Equally as important, Alcatel will enable SBC to deliver multiple services with high quality over a single pipe to each home by leveraging the IP technologies it has developed.

The new broadband network Alcatel is building for SBC is not mere conjecture, but a reality. Alcatel is already deploying such networks in countries across the globe, and that is why the BITS Act is critical for the future of communications in our nation. We have all read the statistics – the U.S. is *not* the world leader in broadband deployment, either in terms of penetration or bandwidth. Other nations have adopted policies that make broadband deployment a national commitment, while here at home the broadband market has been mired in almost a decade of legal and regulatory arbitrage that has held us back from reaching our full potential. By building on the gains of the Triennial Review and creating a legal framework for the continued emergence of IP-enabled services going forward, we can position our nation to leapfrog the international competition.

The BITS Act will help make this possible in several ways:

First and foremost, it establishes that broadband services of all kinds – voice, video, and data – are interstate in nature and not subject to onerous new regulations at the Federal, State, and Local level outside the confines of the bill itself. This is critical for establishing the certainty needed by facilities-based broadband service providers as well as Internet-based broadband service providers to take the financial risks of innovation in new services.

Second, the bill extends those protections to specific broadband services that are replacing traditional services, such as VoIP and Broadband Video Services, but in a socially responsible manner that preserves long standing policies, such as protecting consumer privacy, ensuring consumers have access to dependable E911 service, as well as video programming safeguards.

Most critically from Alcatel's perspective, the bill creates a streamlined Federal video franchise process for broadband video services. By protecting the ability of municipalities to manage their local rights of way, as well as the revenue streams they have come to rely on from video service providers, yet ensuring broadband video services can be deployed without delay, the BITS Act ensures that broadband video services can be a key driver of continued broadband deployment unlike anything we have seen in the U.S. to date.

The new broadband network Alcatel is building for SBC is truly unique to the U.S. market, and in terms of its broadband video service capabilities it is most definitely *not* cable TV. SBC's broadband video service will be a two-way, interactive service that allows for unprecedented subscriber interaction with the service through the network. This interactivity enables features such as subscriber-programmed channels, with content such as home movies or photo albums, for instance, that can be made available to other subscribers. Subscribers watching sports programming will have access to numerous camera angles, data integrated from the Internet, and an unprecedented HD experience.

The benefits of the two-way interactive network Alcatel is building for SBC hardly stop there. Parents will have unprecedented capabilities to monitor and control the content to which their children have access in a user-friendly environment. Subscribers of all backgrounds can have access to content that suits their tastes and interests, whether that is Spanish language programming and content, or other ethno-centric programming and services. Additionally, the powerful two-way, interactive network can deliver on the long-standing promise of telemedicine by making interactive healthcare a reality, and be equally as effective in the classroom.

Utilizing IP technology to offer a broadband video service ensures that capacity for each subscriber is maximized, utilizing only that capacity needed to deliver the specific programming being viewed by a subscriber. This eliminates capacity challenges familiar with cable television services. In practical terms, once constructed, SBC could use its new broadband network to offer to its subscribers every single broadcast channel, if it chooses, in analog *and* digital, including all multicast digital channels. There is no lost opportunity cost for SBC in doing so, because it has essentially unlimited capacity to offer video programming over its new network.

To those who openly question whether broadband video services as defined in this legislation are truly distinct from cable TV, I urge you to recognize the answer is an emphatic "yes!"

One need only look at what the cable industry is doing in response to the investments being made by companies like SBC and Verizon. Our review of current MSO strategies indicates they are preparing to invest billions of dollars into their own networks in an effort to compete with the powerful broadband networks SBC and Verizon are deploying. If SBC and Verizon were simply rolling out cable TV, there would be no need for such investments by cable operators. It is this very type of facilities-based broadband competition that benefits consumers in both quality of service and in pricing.

The BITS Act also includes important Internet Neutrality principles, which prohibit any service provider from denying subscribers access to lawful content available on the Internet, or from connecting devices to their broadband connections. The concept of Internet Neutrality, or “connectivity principles,” has long been advocated by the high tech community, and Alcatel fully supports their inclusion into this legislation. As a result, consumers accessing these new high-powered broadband networks will continue to be free to access the Internet-based content of their choosing. As broadband connections to the public Internet continue to increase in bandwidth, consumers will be increasingly empowered to watch video from alternative sources over the Internet if they so choose, or access any other Internet-based substitute for facilities-based broadband services they so desire.

Finally, I would like to take a moment to commend the bill’s authors for being sure to protect the rights of municipalities to enter the broadband market when they determine such action is in the best interest of their local communities. As Congressman Boucher knows, Alcatel was the main vendor to a municipal build in Bristol, Virginia, and we continue to work with municipalities in an effort to help them achieve their broadband potential where needed.

Mr. Chairman, Ranking Member Markey, Members of the Subcommittee, thank you again for the opportunity to appear before you today. I look forward to discussing these issues and answering any questions you may have.